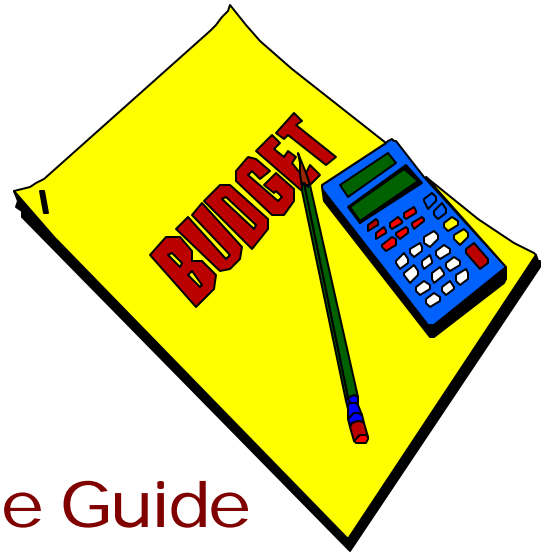


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Indiana Department of Financial Institutions

MONEY MATTERS



Take Home Guide

Building: Knowledge,
Security, and Confidence

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Money Smart

The *Money Smart* curriculum is brought to you by the Indiana Department of Financial Institutions/Federal Deposit Insurance Corporation (FDIC). The *Money Smart* program includes the following courses:

- **Your Rights**
your rights as a consumer
- **Bank On It**
an introduction to bank services
- **Check It Out**
how to choose and keep a checking account
- **Money Matters**
how to keep track of your money
- **Pay Yourself First**
why you should save, save, save
- **Borrowing Basics**
an introduction to credit
- **To Your Credit**
how your credit history will affect your credit future
- **Charge It Right**
how to make a credit card work for you
- **Your Own Home**
what homeownership is all about
- **Loan to Own**
know what you're borrowing before you buy

Money Matters

Welcome to Money Matters! One of the first steps to financial security is planning and following through on a personal budget. Budgeting is about choices—choosing how to make money and choosing how to spend money. This course will help you with some of the basics. When you have completed this course, you will be able to prepare a personal budget.

See the Indiana Department of Financial Institutions' Web Sites on Budgets at <http://www.dfi.state.in.us/conscredit/end.htm#M>.

Why Budget

Have you ever taken \$20 out of the ATM and, at the end of the day, not know where it all went? It is critical you understand where your money goes. Knowing what your income and expenses are every month will help you take control of your financial situation.

Taking control of your financial situation helps reduce the anxiety of not knowing whether you have the money to pay your bills when they are due. It is important to have a sense of control over money, rather than letting money have control over you. Budgeting will help you build assets. Building assets improves the quality of life for you and your family.

A good place to start taking control of your financial situation is to develop a savings and spending plan. This is called a budget. A budget is a step-by-step plan for meeting expenses in a given period of time.

Daily Spending Diary

Day	What did I spend my money on today?
<i>Sunday</i>	
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	

Income and Expenses Worksheet

MY INCOME	\$	MY EXPENSES	\$
Wages		Fixed Expenses	
Public assistance		Rent / Mortgage	
Child support / Alimony		Property taxes / Insurance	
Interest / Dividends		Trash collection	
Social Security		Car payment	
Other		Car insurance	
		Other loan payments	
		Health insurance	
		Day care / Elder care	
		Flexible Expenses	
		Gas / Oil	
		Electricity	
		Water	
		Telephone	
		Food	
		Transportation / Gasoline	
		Car maintenance	
		Education	
		Personal expenses	
		Savings	
		Other	
Total Income		Total Expenses	

Remember to plan for income and expenses that do not occur on a monthly basis.

Tips to Decrease Spending

- Carry only small amounts of cash in your wallet so you won't spend it.
- Use direct deposit. You will be less likely to spend money if it goes straight into your account.
- Control your use of credit cards.
- Don't go shopping just for fun.
- Take your written savings goals with you as a reminder.
- Buy only what you need—don't buy things just because they are on sale.
- Use coupons to save money.
- Use a grocery-shopping list to prevent impulse buying.
- Take your lunch to work instead of eating out.
- Shop around to get the best deal for big-ticket items like cars and appliances.
- Pay your bills on time to avoid late fees, extra finance charges, utilities being turned off, eviction, repossessions, and the costs of a bad credit rating.

Increasing Your Income

Earned Income Tax Credit (EITC)

The EITC is a refundable federal income tax credit for people who work but do not earn high incomes. If you qualify, it reduces the amount of tax you owe and it may give you a refund. You may even be eligible for an advance EITC, which allows you to receive part of the credit in each paycheck during the year.

The following eligibility requirements apply:

- You must have a valid Social Security number.
- You must be between 25 and 65 years of age.
- You must have earned income. This does not include alimony, child support, welfare benefits, unemployment benefits, interest, dividends, pensions, and certain workforce payments.
- Children must live with you for at least 6 months to claim additional benefits.

Benefits can range from \$350 to \$3,888. Rules and examples can be found in IRS Publication 596. A free copy of the application form and the IRS Publication is available on the following website: www.irs.gov or by calling the IRS at 1-800-829-3676, or you can call the IRS directly at 1-800-829-1040 for assistance.

Any refund you receive as a result of taking the EITC will not be used to determine your eligibility for the following programs or how much you can receive from them:

- Temporary Assistance for Needy Families (TANF)
- Medicaid and supplemental security income (SSI)
- Food stamps and housing assistance.

Child Tax Credit

The Child Tax Credit can lower the amount of income tax you owe and increase any refund you might receive. The benefit can be as high as \$500 per child. There are additional benefits for single working mothers. Information is available in IRS Publication 972. A copy of the tax credit application form and the IRS Publication is available at the following website: www.irs.gov or by calling the IRS at 1-800-829-3676 or you can call the IRS directly at 1-800-829-1040 for assistance.

Eligibility requirements include the following:

- The child must be 17 years of age or younger by the end of the tax year.
- The child must be a U.S. resident.

Credit for Child and Dependent Care Expenses

If you pay someone to care for your child under the age of 13, or other dependent who is not able to care for him or herself, you might be eligible for a tax credit. The tax credit can lower the amount of income tax you owe and increase any refund you might receive. To qualify, you must pay the child or dependent care expenses so you can work or look for work. Information is available in IRS Publication 503. A copy of the tax credit application form and the IRS Publication is available at the following website: www.irs.gov or by calling the IRS at 1-800-829-3676 or you can call the IRS directly at 1-800-829-1040 for assistance.

Certified Public Accountants and other tax professionals can provide free or low-cost help, during tax time, at local libraries and churches to determine if you qualify for these tax benefits. Remember, you are obligated to provide accurate information when applying for these benefits. Tax fraud is a serious offense.

Recordkeeping Tips

- Keep information in a safe place in your home or in a safe deposit box.
- Keeping your files organized makes it easier for you to find information about your earnings and spending and makes it easier to update important financial information.
- Keep your tax records for at least 3 years.
- Don't forget to send in your bill payments a few days before they are due to avoid late fees.

Budgeting Tools

Monthly Payment Schedule

- Transfer your income sources and amounts from the *Income and Expenses Worksheet* to the income column on the *Monthly Payment Schedule* worksheet.
- Record the date the income amount is expected.
- Transfer your expenses, the date due, amount due, and the date paid into the appropriate columns of the *Monthly Payment Schedule* worksheet.
- Use different colored ink for income and expenses.
- See your instructor for additional worksheets.

Month_____

Income	Expenses / Bills	Pay or Due Date	Amount Due	Paid

Monthly Payment Calendar

- Transfer your income sources and amounts from the *Income and Expenses Worksheet* to the dates income is paid on the *Monthly Payment Calendar* worksheet.
- Transfer your expenses, the date they are on the *Monthly Payment Calendar* worksheet.
- Use different colored ink for income and expenses.
- Check off each bill as it is paid.
- See your instructor for additional worksheets.

Month _____						
SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Other Budgeting Tools

Here are a few other types of budgeting tools you can use at home. You should use the one you are most comfortable with.

Expense Envelope System

- This tool is useful if you pay your bills with cash each month.
- Make an envelope for each expense category (rent, utilities, food, etc.)
- Label the envelope with the purpose, amount, and date due.
- When you receive income, divide it into amounts to cover the expenses listed on the envelopes.
- Pay bills right away, so you won't be tempted to spend the money for something else.

Budget Box System

- The budget box is a small box with dividers for each day of the month, like a filing system.
- When you receive a bill, check the due date and place it behind the card that represents the date it should be paid.
- As you receive income, pay all the bills that are due.

Computer System

If you have access to personal computers, you can create your own spreadsheet. You may also want to purchase a personal financial program. They are available for less than \$75. Using a computer to manage your finances is relatively easy. Once you set up the system, updating information is quick and easy. It is important to enter transactions frequently to truly understand your financial position.

For Further Information

Indiana Department of Financial Institutions

402 West Washington Street
Indianapolis, Indiana 46204-2759
(317) 232-3955

Email: dkaye@dfi.state.in.us

Web Site: <http://www.dfi.state.in.us> Click Consumer Credit and click Credit Information. Budgets at <http://www.dfi.state.in.us/conscredit/end.htm#M>.

Federal Deposit Insurance Corporation (FDIC)

Division of Compliance and Consumer Affairs

550 17th Street, NW
Washington, DC 20429
1-877-275-3342

Email: consumer@fdic.gov

Web Site: <http://www.fdic.gov> The FDIC provides information about the nation's banking system.

www.irs.gov

This is the website of the Internal Revenue Service (IRS). You can get copies of IRS publications and forms through this site or by calling 1-800-920-3676. The IRS can also be reached at 1-800-829-1040.

www.ssa.gov

This is the Social Security Administration's website. You can find out about Social Security benefits at this site. You can also call 1-800-772-1213 to request a copy of your Social Security Statement.

www.nfcc.org

National Foundation for Credit Counseling (NFCC) can be reached at 1-800-388-2227. NFCC is a national non-profit organization that assists consumers in dealing with their credit problems.

www.abiworld.org

The American Bankruptcy Institute (ABI) researches and educates on issues regarding bankruptcy. The ABI's Consumer Corner web page offers information and resources concerning bankruptcy.

www.pueblo.gsa.gov/cic_text/money/bankbasic/bankbasic.pdf

This is a link to *Bankruptcy Basics*, Public Information Series, Bankruptcy Division, Administrative Office of the United States Courts, August 1998. This Adobe publication provides general information regarding the different types of bankruptcy cases.

Course Evaluation – Money Matters

Instructor: _____ Date: _____

Thank you for your participation in this course. Your responses will help us improve the training for future participants. Please circle the number that shows how much you agree with each statement. Then answer the questions at the bottom of this form. If you have any questions, please feel free to ask your instructor.

	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The course was interesting and kept my attention.	1	2	3	4
2. The examples in the course were clear and helpful.	1	2	3	4
3. The activities in the course helped me understand the information.	1	2	3	4
4. The slides were clear and easy to follow.	1	2	3	4
5. The take-home materials were easy to read and useful to me.	1	2	3	4
6. The instructor presented the information clearly and understandably.	1	2	3	4
7. The information / skill taught in the course is useful to me.	1	2	3	4
8. I am confident that I can use the information / skill on my own.	1	2	3	4
9. I am satisfied with what I learned from this course.	1	2	3	4

What was the most helpful part of this course?

What was the least helpful part of this course?

Would you recommend this course to others?

Any comments or suggestions?

What Do You Know – Money Matters

Instructor: _____ Date: _____

This form will allow you and the instructor to see what you know about budgeting both before and after the class. Read each statement below. Please circle the number that shows how much you agree with each statement.

	Before-the-Course				After-the-Course			
	Strongly Disagree	Disagree	Agree	Strongly Agree	Strongly Disagree	Disagree	Agree	Strongly Agree
<i>I know:</i>								
1. The concept of budgeting.	1	2	3	4	1	2	3	4
2. The benefits of budgeting.	1	2	3	4	1	2	3	4
3. How to use a budgeting tool.	1	2	3	4	1	2	3	4
4. Information on tax refund benefits.	1	2	3	4	1	2	3	4

NOTES

NOTES

Brochures

The following are Brochures created by the Indiana Department of Financial Institutions on subjects covered in this course.

WHAT IS A BUDGET?

A budget is a **spending plan** that you decide upon. It is based on how much you make (income) and what your monthly expenses are. By understanding your monthly income and expenses, you will be better able to manage your cash flow and determine how much debt, if any, you can assume.

HOW DO YOU FIGURE OUT A BUDGET?

You can use the following pointers and budget work-sheet to figure out your own monthly budget.

◆ **Start with your income.** Figure out your monthly take-home pay. That's the amount you bring home each month after taxes, etc. are withheld.

◆ **Prepare a list of your monthly fixed expenses.**

Fixed expenses are the payments that you have to make each month, many of which are the same such as your rent or mortgage payment, utilities (take an average if not budgeted), and any credit payments you have.

◆ **List your monthly flexible expenses.** Your flexible expenses may vary from month to month, but you can control them more readily than you can your fixed expenses. In other words, you can decide whether and how much you will spend on them.

“Flexible expenses” include food, clothing, transportation, household expenses, and personal spending for entertainment, eating out, and other items that you have control over.

DECIDE HOW MUCH TO SAVE AND STICK TO IT

It is important to think of savings as a fixed expense so that you are sure to save a set amount each month. Otherwise, it is easy to spend more on your flexible expenses and forget about savings.

Services are available through your employer and your bank to make it easier for you to save. These include payroll deductions, direct deposit of your paycheck, and automatic savings plans.

The budget worksheet will help you determine how much you can save.

CREATE A SPENDING PLAN

You should be sure to have some savings you can utilize in a financial emergency. But, you should create a spending plan that allows you to reduce your debts. If you have credit card balances, you should use your extra money to pay those balances off quicker. Withdrawing savings from low-interest accounts to settle high-rate loans will save you money in the long run. Extra money sitting in a savings account earning less than 5% could be better utilized by paying off credit card balances being imposed interest at 21%.

TRY TO REDUCE YOUR EXPENSES

Cut out any unnecessary spending such as eating out and purchasing expensive entertainment. Clip coupons, purchase generic products at the supermarket, and avoid impulse purchases. Above all, stop incurring new debt.

HOW TO DEAL WITH FINANCIAL EMERGENCIES

A sudden illness or the loss of your job may throw you off your budget and make it impossible for you to pay your bills on time. Whatever your situation, if you find that you cannot make your payments, contact your creditors at once. Try to work out a modified payment plan with your creditors that reduces your payments to a more manageable level. If you have paid promptly in the past, they may be willing to work with you. Do not wait until your account is turned over to a debt collector.

BUDGET WORKSHEET

FIXED EXPENSES:	
Rent/Mortgage.	\$
Credit payments	\$
Insurance.	\$
Medical	\$
Other	\$
FLEXIBLE EXPENSES:	
Food	\$
Clothing	\$
Transportation	\$
Household	\$
Personal	\$
Other	\$
TOTAL EXPENSES	\$
MONTHLY TAKE-HOME PAY	\$
LESS TOTAL EXPENSES	\$
SAVINGS	\$

The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Bankruptcy Facts
Buried in Debt
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit Reporting and Scams
Debt Collection Problems?
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
How to Cut the Costs of Credit
Identity Theft
Look Before you Lease
Mortgage Loans
Older Consumers
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Secured Credit Card Scams
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.

WHAT IS A BUDGET?



DEPARTMENT OF FINANCIAL INSTITUTIONS

Consumer Credit Division
402 West Washington Street, Room W066
Indianapolis, Indiana 46204
317-232-3955
1-800-382-4880
Web Site <http://www.dfi.state.in.us>



WHAT IS BANKRUPTCY?

The bankruptcy laws are designed to deal with financial failure. The dual goals of bankruptcy for the individual debtor are to offer a financial fresh start for those honest yet unfortunate debtors who have experienced financial loss as a result of events outside their control and to assemble and liquidate the debtor's assets for distribution to creditors.

Providing a fresh start preserves the incentive for individual debtors to be economically productive by relieving them from the burden of debts they cannot pay.

HOW WILL DECLARING BANKRUPTCY AFFECT MY FUTURE CREDIT?

When a person declares bankruptcy, that fact remains on their credit record for up to 10 years. Because of this, obtaining loans for a home, car, a child's education, or a business venture may be very difficult. Not only will that person's ability to get a large loan be hindered, but your day-to-day living standards may also be affected by not being able to use credit for the purchase of necessity items like a washer and dryer or refrigerator.

WHEN IS BANKRUPTCY NECESSARY?

Because of its legal and financial consequences, consider bankruptcy only in extreme situations, after all other attempts to work things out have failed. Bankruptcy is not meant to be an easy way out for people who could manage their debts by other means. Instead, it is a solution for people in financial distress who really need a fresh start. In considering whether to take this step, first seek competent financial counseling and then legal advice.

There are two kinds of personal bankruptcy:

Chapter 13 and Chapter 7. Each must be filed in federal court. The current filing fee is \$160. Attorney fees are additional and can vary widely. The consequences of bankruptcy are significant and require careful consideration.

Chapter 13, also known as a reorganization, allows you to keep property, such as a mortgaged house or car, that you otherwise might lose. Reorganization may allow you to pay off a default during a period of three to five years, rather than surrender any property.

Chapter 7, known as a straight bankruptcy, involves liquidating all assets that are not exempt in Indiana. Exempt property may include work-related tools and basic household furnishings. Some property may be sold by a court-appointed official or turned over to creditors. You can file for Chapter 7 only once every six years. Both types of bankruptcy may get rid of unsecured debts and stop foreclosures, repossessions, garnishments, utility shut-offs, and debt collection activities.

Both also provide exemptions that allow you to keep certain assets, although exemption amounts vary among states. Personal bankruptcy usually does not erase child support, alimony, fines, taxes, and some student loan obligations. Also, unless you have an acceptable plan to catch up on your debt under Chapter 13, bankruptcy usually does not allow you to keep property when your creditor has an unpaid mortgage or lien on it.

WHY ARE MORE PEOPLE DECLARING BANKRUPTCY NOW THAN YEARS AGO?

A steady increase in bankruptcies began in 1980, largely as a result of the Bankruptcy Reform Act of 1978. This was the first major revision to bankruptcy laws since 1938. It was introduced to ensure that the debtor had enough property to begin again, making it easier for him or her to resume a normal role in society. While the law was enacted to help people truly in financial distress, there are, unfortunately, people who see bankruptcy as a way to reduce or eliminate their debt burdens.

Subsequent legislation, the 1984 Amendments and the 1994 Bankruptcy Reform Law, have made it more difficult for those abusers to dismiss their debts. Still there are many people who believe that filing bankruptcy will have no adverse affect on their future, when nothing could be further from the truth.

HOW ARE CREDIT-RESPONSIBLE PERSONS AFFECTED BY BANKRUPTCIES?

Financial services lenders are in the business to make money. When they lose money from people who default on their loans, the lenders have no choice but to try to cover their increased costs. Unfortunately, this often means: increasing credit charges; cutting back on granting credit to people with less than perfect credit histories; tightening credit requirements; and requiring collateral on larger loans.



The Indiana Department of Financial Institutions, Division of Consumer Credit has many other credit related brochures available, such as:

Answers to Credit Problems
Applying for Credit
At Home Shopping Rights
Buried in Debt
Car Financing Scams
Charge Card Fraud
Choosing A Credit Card
Co-Signing
Credit and Divorce
Credit and Older Consumers
Deep in Debt?
Equal Credit Opportunity
Fair Credit Reporting
Fair Debt Collection
Gold Cards
Hang up on Fraud
High Rate Mortgages
Home Equity Credit Lines
How to Avoid Bankruptcy
Indiana Uniform Consumer Credit Code
Look Before you Lease
Mortgage Loans
Repossession
Reverse Mortgage Loans
Rule of 78s – What is it?
Scoring for Credit
Shopping for Credit
Using Credit Cards
Variable Rate Credit
What is a Budget?
What is the DFI?

Call our toll-free number or write to the address on the cover for a copy of any of the brochures listed or for further consumer credit information. You can also access information at our web site on the Internet: <http://www.dfi.state.in.us>, then click on Consumer Credit.



Bankruptcy Facts



Are you buried in debt?

Think twice before you consider bankruptcy. Here are some facts on bankruptcy to help you decide.

DEPARTMENT OF FINANCIAL INSTITUTIONS

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